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Department of the Treasury
Washington, DC 20224

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Date:
May 10, 2017

Parent =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Sub 6 =

FSub 1 =

FSub 2 =

FSub 3 =

FSub 4 =

FSub 5 =

FSub 6 =

DE 1 =

DE 2 =

DE 3 =

Business A =

Business B =

Business B Assets =

Country A =

Date A =

Legal Requirements =

Regulator A =

Regulator B =

Regulator C =

Regulator D =

Regulator E =

State A =

Type A Entity =

Type B Entity =

a =

b =

c =

d =

e =

f =

g =

Dear :

This letter responds to your authorized representatives' letter dated November 11, 2016, requesting rulings on certain federal income tax consequences of a proposed transaction (the "Proposed Transaction"). Additional information was received in correspondence dated December 22, 2016, January 13, 2017, January 23, 2017, April 10, 2017, April 25, 2017, April 26, 2017, and May 08, 2017. The material information provided is summarized below.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

This letter and the rulings contained therein are issued pursuant to section 6.03 of Rev. Proc. 2017-1, 2017-1 I.R.B. 1, 19, regarding one or more significant issues under §§ 332, 351, and 368, and only address one or more discrete legal issues involved in the transaction. This Office expresses no opinion as to the overall tax consequences of the Proposed Transaction described in this letter or as to any issue not specifically addressed by the rulings below.

Summary of Facts

Parent, a State A corporation, is a widely held public company that is the common parent of a consolidated group (the "Parent Group"). Parent is subject to comprehensive consolidated supervision, regulation, and examination by Regulator A.

Sub 1, a Type A Entity, is a direct, wholly owned subsidiary of Parent and a member of the Parent Group. Sub 1 is subject to supervision and regulation by Regulator C and, with respect to certain matters, Regulator A and Regulator B. Sub 1 conducts a portion of its operations through a branch in Country A (the "Sub 1 Branch") that is authorized by Regulator C and Regulator D and is subject to regulation by Regulator E and, to a limited degree, Regulator D.

Sub 2, a Type B Entity, is a direct, wholly owned subsidiary of Sub 1 and a member of the Parent Group.

Sub 3, a Type B Entity, is a direct, wholly owned subsidiary of Sub 2 and a member of the Parent Group.

Sub 4, a Type B Entity, is a direct, wholly owned subsidiary of Sub 3 and a member of the Parent Group.

Sub 5, a State A corporation, is a direct, wholly owned subsidiary of Sub 4 and a member of the Parent Group. Sub 5 is included in the consolidated regulation and supervision of Parent by Regulator A.

Sub 6, a State A corporation, is a direct, wholly owned subsidiary of Sub 5 and a member of the Parent Group. Sub 6 is included in the consolidated regulation and supervision of Parent by Regulator A. Sub 6 conducts Business A through a branch in Country A (the "Sub 6 Branch"). The Sub 6 Branch owes approximately \$a to the Sub 1 Branch (the "Sub 6 Branch Debt").

FSub 1 is a Country A foreign eligible entity (within the meaning of § 301.7701-3(a)) treated as an association taxable as a corporation for federal income tax purposes. FSub 1 has one outstanding class of stock, b% of which is owned by Sub 4 and c% of which is owned by Sub 5. FSub 1 is subject to consolidated supervision by Regulator D.

FSub 2 is a Country A foreign eligible entity (within the meaning of § 301.7701-3(a)) treated as an association taxable as a corporation for federal income tax purposes. It is a direct, wholly owned subsidiary of FSub 1. FSub 2 is subject to consolidated supervision by Regulator D.

FSub 3 is a Country A foreign eligible entity (within the meaning of § 301.7701-3(a)) treated as an association taxable as a corporation for federal income tax purposes. FSub 3 has one outstanding class of common stock, all of which is owned by FSub 2. FSub 3 also has one class of preferred stock outstanding (the "FSub 3 Preferred Stock"), all of which is owned by FSub 6, described below. The FSub 3 Preferred Stock represents less than 20% of the vote and value of all of the outstanding stock of FSub 3. FSub 3 owes approximately \$d to FSub 1 (the "FSub 3 Debt"). FSub 3 is subject to consolidated supervision by Regulator D.

FSub 4 is a Country A entity that is a per se corporation under § 301.7701-2(b)(8) for federal income tax purposes. FSub 4 has several classes of both common stock and preferred stock. FSub 3 owns all of the common stock, more than e% of two outstanding classes of preferred stock, and all of the stock of the remaining classes of preferred stock. DE 2, described below, owns the remaining outstanding preferred stock, which represents less than f% of the vote and value of all the outstanding stock of FSub 4. FSub 4 is authorized by Regulator D and regulated by Regulator E, Regulator D, and Regulator C.

FSub 5 is a Country A foreign eligible entity (within the meaning of § 301.7701-3(a)) treated as an association taxable as a corporation for federal income tax purposes. It is a direct, wholly owned subsidiary of FSub 3. FSub 5 is subject to regulation by Regulator E, Regulator C, and Regulator D.

FSub 6 is a Country A foreign eligible entity (within the meaning of § 301.7701-3(a)) treated as an association taxable as a corporation for federal income tax purposes. It is a direct, wholly owned subsidiary of Sub 6.

DE 1 is a Country A foreign eligible entity (within the meaning of § 301.7701-3(a)) treated as a disregarded entity for federal income tax purposes. It is a direct, wholly owned subsidiary of FSub 2. DE 1 conducts Business B, which must be performed by a regulated entity. DE 1 is authorized and regulated by Regulator E and subject to consolidated supervision by Regulator D.

DE 2 is a Country A foreign eligible entity (within the meaning of § 301.7701-3(a)) treated as a disregarded entity for federal income tax purposes. It is wholly owned by a direct, wholly owned subsidiary of Parent that is also treated as a disregarded entity for federal income tax purposes.

DE 3 is a State A limited liability company (“LLC”) treated as a disregarded entity for federal income tax purposes. It is a direct, wholly owned subsidiary of Sub 5.

Pursuant to a directive received on Date A from Regulator D, the Sub 6 Branch has sold (at fair market value), and will continue to wind down or sell (at fair market value), the assets of Business A to FSub 4, the Sub 1 Branch, one or more affiliates of Parent, and an unrelated third party (the “Ongoing Sales”). The purchase price in the Ongoing Sales has been paid, and is expected to be continued to be paid, in cash and used to repay the Sub 6 Branch Debt. At the time the directive was received, the Proposed Transaction (as described below) was not contemplated. The Ongoing Sales will continue whether or not the Proposed Transaction is implemented, and the Proposed Transaction will be implemented even if the Ongoing Sales are discontinued.

Proposed Transaction

In the Proposed Transaction, steps will be taken to simplify Parent’s corporate structure in order to comply with guidance provided by Regulator A and Regulator B. The relevant steps of the Proposed Transaction are set forth below:

- (1) The board of directors and shareholder of Sub 6 will adopt resolutions approving a plan of liquidation of Sub 6. Sub 5 will transfer the stock of Sub 6 to DE 3 in exchange for additional membership interests in DE 3. Sub 6 will implement the plan of liquidation by converting into a State A LLC treated as a disregarded entity for federal income tax purposes (thereafter, “DE 4”) and will be deemed to

liquidate in a transaction intended to qualify under §§ 332 and 337 (the “Sub 6 Liquidation”).

- (2) DE 3 will merge with and into Sub 5.
- (3) At least one day after Step (2), the board of directors and shareholder of Sub 5 will adopt resolutions approving a plan of liquidation of Sub 5.
- (4) Sub 5 will implement the plan of liquidation by converting into a State A LLC treated as a disregarded entity for federal income tax purposes (thereafter, “DE 5”) and will be deemed to liquidate in a transaction intended to qualify under §§ 332 and 337 (the “Sub 5 Liquidation”).
- (5) At least two days after Step (4), FSub 6 will file an election under § 301.7701-3(c) to be treated as a disregarded entity for federal income tax purposes beginning on that date (thereafter, “DE 6”) and will be deemed to liquidate in a transaction intended to qualify under § 368(a)(1)(C) (the “FSub 6 Reorganization”).
- (6) DE 6 will distribute the FSub 3 Preferred Stock and cash to DE 4, DE 4 will distribute the FSub 3 Preferred Stock to DE 5, and DE 5 will distribute the FSub 3 Preferred Stock and its FSub 1 stock to Sub 4.
- (7) Sub 4 will contribute the FSub 3 Preferred Stock to FSub 1 in a transaction intended to qualify under § 351 (the “Contribution”).
- (8) At least two days after Step (7), Parent’s senior management and/or board of directors will meet to give final approval for Steps (9) through (17).
- (9) On the same day but after the meeting in Step (8), FSub 2 will file an election under § 301.7701-3(c) to be treated as a disregarded entity for federal income tax purposes beginning on that date (thereafter, “DE 7”) and will be deemed to liquidate in a transaction intended to qualify under §§ 332 and 337 (the “FSub 2 Liquidation”).
- (10) On the same day but after the meeting in Step (8), FSub 3 will file an election under § 301.7701-3(c) to be treated as a disregarded entity for federal income tax purposes beginning on that date (thereafter, “DE 8”) and will be deemed to liquidate in a transaction intended to qualify under §§ 332 and 337 (the “FSub 3 Liquidation”).
- (11) FSub 1 will contribute the FSub 3 Preferred Stock to DE 7.
- (12) DE 8 will transfer a portion of its FSub 4 stock to FSub 1 in satisfaction of the FSub 3 Debt and will distribute its remaining FSub 4 stock, FSub 5 stock, and certain other assets to DE 7.

- (13) DE 7 will distribute its FSub 4 stock, FSub 5 stock, DE 1 stock, and certain other assets to FSub 1.
- (14) At least one day after Step (13), DE 1 will transfer certain Business B Assets to FSub 4, and FSub 4 will assume certain liabilities.
- (15) The board of directors and shareholder of each of DE 6, DE 8, and DE 7 will adopt resolutions approving the liquidation and dissolution of those entities.
- (16) FSub 4 will redeem the shares of its preferred stock held by DE 2 and will exchange new common stock for its remaining outstanding preferred stock.
- (17) After all necessary procedural steps under Country A law are taken, each of DE 6, DE 8, and DE 7 will distribute its remaining assets to its shareholder and will be dissolved.

Taxpayer will also take the following additional steps, which may be taken before, after, or concurrently with Steps (1) through (17):

- (A) The board of directors and shareholder of Sub 3 will adopt resolutions approving a plan of dissolution.
- (B) Sub 3 will transfer all of its assets, including its existing Sub 4 stock, to Sub 4 in exchange for a new class of Sub 4 common stock (the "Sub 4 Class A Common Stock") and the assumption of all of its liabilities by Sub 4.
- (C) Sub 3 will distribute all of its Sub 4 Class A Common Stock to Sub 2 and dissolve in a transaction, together with Step (B), intended to qualify under § 368(a)(1)(C) and/or § 368(a)(1)(D).
- (D) The board of directors and shareholder of Sub 2 will adopt resolutions approving a plan of dissolution.
- (E) Except for \$g being retained to satisfy the Legal Requirements, Sub 2 will transfer all of its assets, including the Sub 4 Class A Common Stock, to Sub 4 in exchange for a new class of Sub 4 common stock (the "Sub 4 Class B Common Stock") and the assumption of all of its liabilities by Sub 4.
- (F) Sub 2 will distribute the Sub 4 Class B Common Stock to Sub 1 in a transaction, together with Step (E), intended to qualify under § 368(a)(1)(D).
- (G) At least one day after Step (F) is completed, Sub 1 will contribute its Sub 2 stock to Sub 4.
- (H) At least one day after Step (G) is completed, Sub 2 will distribute all of its assets to Sub 4 and dissolve.

Representations

- (i) The FSub 3 Preferred Stock constitutes less than 30% of the gross fair market value of the combined assets of Sub 5, Sub 6, and FSub 6.
- (ii) The FSub 3 Preferred Stock constitutes less than 30% of the gross fair market value of the combined assets of Sub 6 and FSub 6.
- (iii) The Business B Assets transferred to FSub 4 in Step (14) constitute less than 30% of the gross fair market value of the assets of FSub 2.
- (iv) The requirements under Country A law for adopting a plan of liquidation of FSub 3 will not be met before the date of the FSub 3 Liquidation.
- (v) Neither the shareholders nor the directors of FSub 3 will adopt a resolution authorizing FSub 3 to completely liquidate, merge into its owner, or distribute all (or substantially all) of its assets before the date of the FSub 3 Liquidation.
- (vi) Sub 4 stock will constitute at least 90% of the fair market value of the net assets and at least 70% of the fair market value of the gross assets held by Sub 3 immediately prior to the Proposed Transaction. For purposes of this representation, amounts used by Sub 3 to pay its reorganization expenses, amounts paid by Sub 3 to shareholders who receive cash or other property, and all redemptions and distributions (except for regular, normal dividends) made by Sub 3 immediately preceding the transfer will be included as assets of Sub 3 held immediately prior to the Proposed Transaction.
- (vii) Sub 4 stock will constitute at least 90% of the fair market value of the net assets and at least 70% of the fair market value of the gross assets held by Sub 2 immediately prior to Step (E). For purposes of this representation, amounts used by Sub 2 to pay its reorganization expenses, amounts paid by Sub 2 to shareholders who receive cash or other property, and all redemptions and distributions (except for regular, normal dividends) made by Sub 2 immediately preceding the transfer will be included as assets of Sub 2 held immediately prior to Step (E).

Rulings

Based solely on the information submitted and the representations set forth above, we rule as follows:

1. FSub 3 will not be treated as having adopted a formal plan of liquidation within the meaning of § 301.7701-3(g)(2)(ii) before it is deemed to become a wholly owned subsidiary of FSub 1 following the FSub 2 Liquidation. See *Va. Ice &*

Freezing Corp. v. Comm'r, 30. T.C. 1251, 1256-57 (1958); *George L. Riggs, Inc. v. Comm'r*, 64 T.C. 474, 487 (1975).

2. The successive liquidations of FSub 2 and FSub 3 in Steps (9) and (10), respectively, will not preclude either of the FSub 2 Liquidation or the FSub 3 Liquidation from qualifying under §§ 332 and 337.
3. The successive liquidations of Sub 6 and Sub 5 in Steps (1) and (4), respectively, will not preclude either of the Sub 6 Liquidation or the Sub 5 Liquidation from qualifying under §§ 332 and 337.
4. The fact that the FSub 6 Reorganization and the Contribution are made in contemplation of the FSub 3 Liquidation will not preclude the Contribution from qualifying under § 351(a). No gain realized by FSub 1 on the FSub 3 Liquidation will be reallocated.
5. The Contribution, together with the Ongoing Sales, will not preclude either of the Sub 6 Liquidation or the Sub 5 Liquidation from qualifying under §§ 332 and 337.
6. The transfer by DE 1 of the Business B Assets in Step (14) will not preclude the FSub 2 Liquidation from qualifying under §§ 332 and 337.
7. The Sub 6 Liquidation and the Sub 5 Liquidation will not preclude the assets of FSub 6 from being treated as acquired solely for voting stock of Sub 4 (within the meaning of § 368(a)(1)(C)) in the FSub 6 Reorganization. § 1.368-2(d)(4)(i).
8. The FSub 3 Liquidation will not preclude Sub 4 from being treated as acquiring substantially all of the properties (within the meaning of § 368(a)(1)(C)) of FSub 6 in the FSub 6 Reorganization. See *George v. Comm'r*, 26 T.C. 396 (1956), *acq.* 1956-2 C.B. 5.
9. Sub 3 and Sub 2 will be treated as having transferred substantially all of their respective assets to Sub 4 in Step (B) and Step (E), respectively, for purposes of §§ 368(a)(1)(C) and/or 354(b)(1)(A).
10. The retention of minimum assets by and continued legal existence of Sub 2 until Step (H) will not preclude the relevant steps from qualifying under § 368(a)(1)(D).

Caveats

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

Procedural Statements

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, copies of this letter are being sent to your authorized representatives.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

Sincerely,

Russell P. Subin
Senior Counsel, Branch 3
Office of Associate Chief Counsel (Corporate)

cc: